

**STATEMENT OF CONGRESSMAN BOB GOODLATTE  
UPON THE INTRODUCTION OF THE INNOVATION AND  
COMPETITIVENESS ACT  
MARCH 1, 2006**

Mr. Speaker, today I rise to introduce the Innovation and Competitiveness Act.

The Framers of our system of government realized that innovation was essential to the success of the United States. They embodied this strong belief in Article I Section 8 of our Constitution, which lays the framework for our nation's copyright and patent laws. The Framers realized that American innovation was so important that it merited specific reference and protection in our founding document.

Today, America is the world leader in innovation. However, to ensure that America remains the world leader, we must again take a hard look at our policies to make sure that they still encourage inventors to create and businesses to grow and expand.

Every business and individual must weigh the advantages and the hurdles when making the decisions about whether to bring an idea to the market, expand services to other geographical areas and the like. In addition to market factors, unfortunately, today there are additional hurdles to innovation and growth – excessive litigation, as well as taxation, red tape and regulation imposed by governments.

The Innovation and Competitiveness Act is a comprehensive piece of legislation to get Congress engaged in the business of promoting innovation in America by creating additional incentives for private individuals and businesses to create and rollout new products and services so that America will remain the world leader in innovation. Government sometimes is the problem - not the answer to the problem - so the Innovation and Competitiveness Act also addresses government-imposed hurdles to innovation by clearing the way for inventors and businesses to do what they do best – create and compete.

Specifically, this legislation will promote research and development by permanently extending the R&D tax credit. Companies know best how to spend their money on research and development, not government bureaucracies.

In addition, excessive red tape and confusing rules regarding tax liability are currently stifling businesses from moving across State lines. Increasingly, States are taxing businesses outside their borders for the right to do business within the State even when those out-of-State businesses have minimal contacts with the taxing jurisdictions. Given this environment, some businesses have made the decision that it is not worth expanding to other jurisdictions because of the ambiguity about when they must pay these taxes and the fear of aggressive taxation and the resulting litigation and compliance costs. The Innovation and Competitiveness Act contains provisions to set clear, bright line rules for when out-of-State businesses would be obliged to pay taxes to a jurisdiction. This bill creates a physical presence test such that States could only collect business

activity taxes from businesses with employees or property in the taxing State. This will create the clarity necessary for businesses to grow beyond State lines, and offer new and exciting products and services to consumers.

In addition, excessive litigation hampers investment and innovation. With that in mind, this legislation cracks down on frivolous lawsuits by strengthening sanctions against attorneys who file truly frivolous actions.

Furthermore, rising health care costs are one of the most difficult challenges facing individuals, businesses and manufacturing today. The Innovation and Competitiveness Act contains provisions that will allow individuals to purchase health insurance that best suits their needs and budgets, while also promoting competition in health care. In addition, our bill encourages the use of health information technology, which will improve health quality and reduce errors by leveraging cutting edge technology to make medical records available almost instantaneously to doctors when they are needed so that they can best treat patients. Technology can help reduce paperwork and administrative burdens and thus help doctors provide the best and fastest care possible to their patients.

Finally, as we have heard, by 2010, more than 90 percent of all scientists and engineers could be living in Asia. This is a major challenge to our competitive leadership, but America must keep pace. To address this issue, the Innovation and Competitiveness Act includes provisions that will provide incentives for teachers to specialize in math, science, and other technical fields—and to remain in the classroom to educate our youth in these fields. In addition, this legislation provides incentives for students to receive degrees in technical fields with financial aide and scholarships.

The Innovation and Competitiveness Act will get Congress into the business of protecting America's place as the world leader in innovation and competitiveness, and I urge the Members of the House to support the initiatives in this important legislation.